



By William D. Riley

Careful study and consideration are needed as a successor to TRIA is developed.

A Role for Captive Insurance Companies after TRIEA?

Under the Terrorism Risk Insurance Act of 2002 (TRIA), the Terrorism Risk Insurance Extension Act of 2005 (TRIEA) and associated U.S. Treasury regulations, captive insurance companies domiciled and licensed in

the United States are specifically recognized as "insurers" that must participate in the Terrorism Risk Insurance Program. In the wake of this mandate, captives have assumed an important role in the provision of terrorism insurance to American businesses since 2002.

A full discussion of captive insurance and the role it plays in the Terrorism Risk Insurance Program is available in *TRIA and Captives: The Role of Captive Insurance in the Terrorism Risk Insurance Program*, a white paper published as part of the DRI compendium, *The Future of Terrorism Risk Insurance*. The purpose of this article is to provide updated information on the use of captives to insure terrorism risk and to consider current thinking on the role captives should play, if any, in the post-TRIEA terrorism insurance market.

Current Use of Captives for Terrorism Coverage

Although published information on the subject is scarce, researchers at the Whar-

ton Risk Management and Decision Processes Center have analyzed data provided by the two largest domestic captive domiciles, Vermont and Hawaii, regarding the use of captives to write terrorism coverage. At year-end 2004, approximately 60 Vermont domiciled captives had issued stand-alone terrorism policies providing about \$30 billion in total coverage. Information was unavailable from Vermont with respect to captives writing terrorism coverage as part of broader policies covering risks other than terrorism. In Hawaii, 50 captives provided terrorism coverage with combined limits of \$2.6 billion. Wharton Risk Management and Decision Process Center, *TRIA and Beyond: Terrorism Risk Financing in the U.S.* (August 2005), at 182-83. In addition to Vermont and Hawaii, captives domiciled in New York, South Carolina, Arizona and likely other U.S. domiciles have issued policies covering terrorism risk. It should also be noted that outside of the United States, captives have been used to provide terrorism cover-



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